

Message Text

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ACTION NEA-10

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TO SECSTATE WASHDC PRIORITY 1756

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TAGS: EAID, PK

SUBJECT: AIDE MEMOIRE - PLEDGES BY CONSORTIUM MEMBERS FOR
GOVERNMENT OF PAKISTAN FY 1977-78.

1. BEGIN SUMMARY. GOVERNMENT OF PAKISTAN PRESENTED AIDE
MEMOIRE TO CONSORTIUM COUNTRY REPRESENTATIVES ON MAY 20, REQUESTING
MEMBERS TO DETERMINE AID PLEDGES FOR GOP FY 1977-78 AND COMMENCE
NEGOTIATIONS FOR DISBURSEMENTS ASAP. ANNOUNCED THAT CONSORTIUM
MEETING WOULD BE HELD IN OCTOBER. REASONS GIVEN FOR ADDITIONAL
POSTPONEMENT WERE DELAYS IN FINALIZING THE SIXTH PLAN AND MECHANICS
AND TIME INVOLVED IN NOTIFICATION TO CONSORTIUM MEMBERS AND GETTING
ASSESSMENT OF PLAN COMPLETED BY WORLD BANK. TEXT OF AIDE MEMOIRE
AND OBSERVATIONS AND COMMENTS FOLLOW. END SUMMARY.

2. AIDE MEMOIRE TEXT FOLLOWS. THE MEETING OF AID-TO-PAKISTAN
CONSORTIUM WHICH WAS SCHEDULED TO BE HELD AT WASHINGTON, D.C.
FROM THE 26TH APRIL, 1977, TO ASSESS AND PLEDGE FOREIGN ASSISTANCE
TO PAKISTAN FOR THE FISCAL YEAR 1977-78 HAS HAD TO BE POSTPONED AT
OUR REQUEST. THOUGH NO FIRM DATE FOR THE RECONVENING OF THE
CONSORTIUM MEETING HAS BEEN FIXED AS YET, IT HAS TENTATIVELY BEEN
RESCHEDULED FOR EARLY OCTOBER, 1977.

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PAKISTAN IS CURRENTLY ENGAGED IN FINALISING ITS NEW SIX-YEAR
PLAN (1977-83). THE PLAN IS EXPECTED TO BE APPROVED BY END-SQRE
1977. THE PLAN WILL PROVIDE THE MEMBERS OF THE PAKISTAN CONSORTIUM
A CLEAR PICTURE OF THE GOVERNMENT'S MEDIUM TERM DEVELOPMENT GOALS
AND STRATEGY, ITS SOCIAL AND ECONOMIC POLICIES AND THE ENVISAGED
INVESTMENT AND OUTPUT TARGETS. IT WOULD ALSO GIVE DETAILED ESTIMATES

OF DOMESTIC AND EXTERNAL RESOURCES REQUIRED FOR ITS FINANCING. IT IS UNDERSTOOD THAT WORLD BANK'S EVALUATION OF THE PLAN AND THEIR VIEWS ON THE DEVELOPMENT PROSPECTS OF PAKISTAN WILL BE MADE AVAILABLE TO THE MEMBERS OF THE CONSORTIUM WELL BEFORE THE RESCHEDULED MEETING OF THE CONSORTIUM. IT IS HOPED THAT THE DISCUSSIONS IN THE NEXT CONSORTIUM MEETING WILL ASSIST THE MEMBERS OF THE CONSORTIUM TO FORMULATE THEIR MEDIUM TERM AID POLICY FOR PAKISTAN.

WE UNDERSTAND FROM THE WORLD BANK THAT DURING THE COURSE OF INFORMAL DISCUSSIONS AT WASHINGTON, D.C. LAST MONTH, MOST OF THE MEMBERS OF THE CONSORTIUM HAD INDICATED THEIR INTENTION TO CONTINUE AID TO PAKISTAN AT THE EXISTING LEVEL FOR THE CURRENT FINANCIAL YEAR PENDING THE CONVENING OF THE NEXT CONSORTIUM MEETING. IT IS REQUESTED THAT BILATERAL NEGOTIATIONS BETWEEN OUR TWO COUNTRIES BE STARTED URGENTLY TO DETERMINE THE AID PLEDGE FOR THE FISCAL YEAR 1977-78. THE PAKISTAN DELEGATION TO THE PROPOSED DISCUSSIONS WILL ALSO TAKE THIS OPPORTUNITY TO GIVE A PRELIMINARY BRIEFING ON THE SIX YEAR PLAN. WE WOULD LIKE TO HAVE AN EARLY INDICATION OF THE DATE THAT WILL BE CONVENIENT FOR HOLDING THE PROPOSED BILATERAL DISCUSSIONS. END OF TEXT.

3. AT REQUEST OF GOP, REPRESENTATIVES OF CONSORTIUM COUNTRIES MET MAY 20 WITH ECONOMIC AFFAIRS DIVISION SECRETARY, AFTAB AHMAD KHAN, AT WHICH TIME HE PRESENTED AIDE MEMOIRE REQUESTING MEMBERS TO URGENTLY DETERMINE AID PLEDGE FOR GOP FISCAL YEAR 1977-78, AND INFORM GOP DIRECTLY OR INFORM WORLD BANK. CHARGE AND ACTING USAID DIRECTOR ATTENDED.

4. SECRETARY KHAN NOTED THAT GOVERNMENT WAS IN FINAL STAGES OF LIMITED OFFICIAL USE

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PREPARING THE SIXTH PLAN AND EXPECTED APPROVAL OF IT BY END OF MONTH OR MID-JUNE AT LATEST. PLAN WOULD SET FORTH GOALS, STRATEGIES AND MAGNITUDE OF RESOURCE REQUIREMENTS. AFTER APPROVAL OF PLAN, WORLD BANK ASSESSMENT WILL TAKE PLACE. BECAUSE OF TIME REQUIRED TO (A) PERFORM ASSESSMENT BY BANK (6 WEEKS), (B) NOTIFY MEMBER COUNTRIES OF ASSESSMENT, AND (C) PERMIT TIME FOR MEMBER COUNTRIES TO STUDY ASSESSMENT, THE CONSORTIUM WOULD NOW BE HELD SOMETIME IN OCTOBER.

5. SECRETARY KHAN WENT ON WITH STRONG PLEA TO MAINTAIN AT LEAST CURRENT AID LEVELS FOR ENSUING YEAR TO INSURE NO INTERRUPTION IN DEVELOPMENT AND EXPRESSED HOPE FOR PROPORTIONAL INCREASES TO AT LEAST COVER INFLATION. HE URGED NEGOTIATIONS AS SOON AS POSSIBLE TO PERMIT RAPID RESOURCE TRANSFER. HE SAID GOVERNMENT'S ANNUAL PLAN - CHARACTERIZED AS "INTERIM STRATEGY" - WHICH WILL BE REVEALED IN FINANCE MINISTER'S BUDGET SPEECH MID-JUNE, WOULD REVEAL THAT NEXT YEAR'S PROGRAM WILL BE AT DESIRED MINIMAL LEVEL WITH NO NEW ACTIVITIES BEING INITIATED; HOWEVER, ASSISTANCE IS NEEDED TO MAINTAIN THIS MINIMAL POSTURE. AT THE CONSORTIUM, THE LONGER TERM

CONSIDERATIONS WILL BE TAKEN UP.

6. QUESTIONS REVEALED THE FOLLOWING:

A. U.S. CHARGE D'AFFAIRES QUESTION CLARIFIED THAT POSTPONEMENT TO OCTOBER FOR CONSORTIUM MEETING WAS GOP INITIATIVE.

B. CANADIAN AMBASSADOR QUESTIONED WHETHER WORLD BANK ECONOMIC REPORT AND GOP MEMORANDUM RESPONSE WERE STILL VALID IN LIGHT OF CURRENT AND RECENT EVENTS. SECRETARY SAID IT WAS TOO EARLY TO ASSESS IMPACT OF EVENTS ON ECONOMY BUT EXPECTED THIS WOULD BE REVEALED IN MID-JUNE BUDGET SPEECH.

CANADIAN AMBASSADOR ALSO MENTIONED HE UNDERSTOOD SOME DISCUSSION HAD BEEN TAKING PLACE WITH OPEC COUNTRIES ON BUDGET SUPPORT AND ASKED IF THERE WERE ANY INDICATIONS OF RESPONSES WHICH WOULD BE FORTHCOMING. SECRETARY SAID TALKS WERE NOW GOING LIMITED OFFICIAL USE

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ON BUT THERE WERE NO TANGIBLE RESULTS YET. HE EXPECTED RESULTS MIGHT BE KNOWN BY THE TIME THE CONSORTIUM MEETS IN OCTOBER.

C. FRG AMBASSADOR NOTED SHARED CONCERN FOR PAKISTAN'S DEVELOPMENT PROBLEMS AND SAID HE WOULD PASS AIDE MEMOIRE TO HIS GOVERNMENT.

7. WE WILL COMMENT VIA SEPTTEL ON SUGGESTED U.S. GOVERNMENT RESPONSE TO AIDE MEMOIRE. CONSTABLE

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